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No. 87-1346

SUPREME COURT, U.S.
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In The

Supreme Court of the United States

October Term, 1987

BONITO BOATS, INC.

Petitioner,

v.

THUNDER CRAFT BOATS, INC.

Respondent.

ON WRIT OF CERTIORARI TO THE SUPREME COURT OF THE STATE OF FLORIDA

BRIEF FOR THE PETITIONER

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QUESTION PRESENTED

Whether the Supreme Court of Florida, by a 4 to 3 vote, erroneously applied prior decisions of this Court in ruling unconstitutional a Florida statute that prohibits, as unfair competition, one method of copying unpatented articles, while leaving other methods of copying readily available.

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BRIEF FOR THE PETITIONER

OPINIONS BELOW

The opinion of the Supreme Court of Florida is reported at 515 So.2d 220 (Fla. 1987). The Florida Fifth District Court of Appeals' opinion affirming the dismissal of Petitioner's complaint is reported at 487 So.2d 395 (Fla. Dist. Ct. App. 1986). The Florida Circuit Court's order dismissing Petitioner's Complaint against Respondent on grounds of federal preemption by the patent laws of the United States is unreported and is included in the Joint Appendix ("J.A.") at 10.

JURISDICTION

The opinion of the Supreme Court of Florida was rendered on November 12, 1987. The jurisdiction of this Court is invoked under 28 U.S.C. § 1257(3).

STATUTES INVOLVED

1. United States Constitution, Art. I, § 8, cl. 8:

   The Congress shall have Power:

   To promote the Progress of Science and useful Arts, by securing for limited times to Authors and Inventors the exclusive Right to their respective Writings and Discoveries.

2. Florida Statutes, § 559.94 (1983):

§ 559.94 Duplication of vessel parts; action for injunctive relief against illegal duplication or against sale of illegally duplicated vessel parts.

(1) As used in this section, the term:

(a) "Direct molding process" means any direct molding process in which the original manufactured vessel hull or component part of a vessel is itself used as a plug for the making of the mold, which mold is then used to manufacture a duplicate item.

(b) "Mold" means a matrix or form in which a substance or material is shaped.

(c) "Plug" means a device or model used to make a mold for the purpose of exact duplication.

(2) It is unlawful for any person to use the direct molding process to duplicate for the purpose of sale any manufactured vessel hull or component part of a vessel made by another without the written permission of that other person.

(3) It is unlawful for any person to knowingly sell a vessel hull or component part of a vessel duplicated in violation of subsection (2).

(4) Any person who suffers injury or damage as the result of a violation of the provisions of this section may bring an action in circuit court for an injunction prohibiting such violations. In addition, such person shall be entitled to actual damages incurred as a result of such violation and to reasonable attorney's fees and costs.

(5) The provisions of this section apply only to vessel hulls or component parts of vessels duplicated through use of molds made on or after July 1, 1983.

STATEMENT OF CASE

(1) In 1976, Petitioner Bonito Boats, Inc. ("Bonito") designed an original hull for a fiberglass recreational boat that it would market under the trade name Bonito Boat Model 5VBR ("the hull") (Complaint at pp. 1-2, J.A. at 4-5). No part of Bonito's hull was patented. (Defendant's Motion to Dismiss at p.1, J.A. at 8). A broad interstate market developed for this product. (Complaint at p. 2, J.A. at 5) The hull was the result of a substantial investment of Bonito's time, money and effort. (Complaint at p. 2, J.A. at 5). First, a set of engineering drawings was prepared. Next, the engineering drawings were used to prepare full-size drawings from which a full-sized master hardwood hull mold was made. From this master mold, a fiberglass secondary mold was made that was used to produce the finished hulls for sale.

On or after July 1, 1983, Respondent Thunder Craft Boats, Inc. ("Thunder Craft") copied the hull for its own commercial use.[1] (Complaint at p. 2, J.A. at 5) To make this copy, Thunder Craft chose the one means prohibited as unfair competition by a Florida state statute – the direct molding method. (Complaint at p. 2, J.A. at 5). In this method, Bonito's original hull was used as the master mold from which a secondary mold was made. Liquid fiberglass was applied to the surface of Bonito's hull, which, when cured, created a secondary mold. From this secondary mold made from Bonito's hull, Thunder Craft produced hulls which it marketed as its own.[2] (Complaint at p. 2, J.A. at 5). Thunder Craft chose the one illegal means of copying, although many lawful means of copying were available.

The direct molding method allows a competitor to avoid substantial research and development costs. With the direct molding method, a party can wait for another manufacturer to spend all the time, effort, and cost of perfecting the original hull, use the direct molding method to quickly and cheaply make a secondary mold, and then have its own product to sell at a fraction of the original manufacturer's costs. Florida has prohibited the direct molding method of manufacture as an act of illegal

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[1] For purposes of this case, the Trial Court assumed as true that Thunder Craft used the direct molding method to duplicate Bonito's hull (Circuit Court Order at 1, J.A. at 10).

[2] The parties below assumed the descriptions of the boat manufacturing process and the details of the direct molding method in the briefs to be accurate. The direct molding method is defined by Florida Statute § 559.94(1)(a).

unfair competition. Fla. Stats. § 559.94 (1983) (hereinafter the "Florida Statute").[3]

(2) Bonito informed Thunder Craft that its copying violated the Florida Statute. Thunder Craft persisted. (Complaint at p. 2, J.A. at 5). Bonito sued alleging that Thunder Craft violated the Florida Statute. Thunder Craft moved to dismiss on the grounds that the Florida Statute was preempted by the patent laws, citing *Sears Roebuck & Co. v. Stiffel Co.*, 376 U.S. 225 (1964) and *Compco Corp. v. Day-Brite Lighting, Inc.*, 376 U.S. 234 (1964) (hereinafter "*Sears-Compco*"). (Defendant's Motion to Dismiss, J.A. at 8-9). The Circuit Court granted the motion. (J.A. at 10-13).

Bonito appealed. The Fifth District Court of Appeals, in a 2 to 1 decision, affirmed the holding that the Florida Statute was unconstitutional because of preemption by the patent laws. (J.A. at 14-18).

Bonito then appealed to the Supreme Court of Florida. The Florida Supreme Court in a 4 to 3 decision affirmed the District Court of Appeals. (J.A. at 30-39). The majority held that under *Sears-Compco* the state may not constitutionally prohibit a single, specified *method* of copying unpatented articles on unfair competition grounds even if other methods of copying are legal and available. Three Justices dissented on the ground that *Sears-Compco* were distinguishable because they concerned a state law that had the effect of *entirely* removing an unpatented article from the public domain; that is, the

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[3] Petitioner Bonito sued under the Florida Statute and did not plead any common law claim of unfair competition.

state law did not provide for *any* method of legally copying an unpatented article in the public domain. *Sears-Compco* considered a law which created an unconstitutional monopoly in unpatented articles.

The Florida Supreme Court expressly noted that its decision was in direct conflict with the Federal Circuit's decision in *Interpart Corp. v. Italia*, 777 F.2d 678 (Fed. Cir. 1985) (hereinafter "*Interpart*") and called *Interpart* a mere "misapplication" of *Sears-Compco*. (Florida Supreme Court opinion, J.A. at 35).

On February 8, 1988, Bonito filed a Petition for Certiorari with this Court. On May 16, 1988, this Court granted the Petition and ordered argument during the December session.[4]

SUMMARY OF ARGUMENT

The Florida legislature, along with those of eleven other states, has found that the direct molding method is contrary to the public interest and prohibited the use of that method as a form of unfair competition. The Court of Appeals for the Federal Circuit, the Court of Appeals with exclusive jurisdiction over cases arising under the federal patent laws, has found constitutional a California anti-direct molding statute nearly identical to Florida's. Here, however, the Florida Supreme Court, in a 4 to 3

[4] There is legislation to protect industrial designs presently pending in Congress. H.R. 1179, 100th Cong., 2d Sess. (1988).

vote, gave an overly expansive reading to this Court's findings in *Sears-Compco*, and struck down Florida's anti-direct molding statute as preempted by the federal patent laws, creating a direct conflict with the Federal Circuit.

Sears-Compco invalidated state laws which, under the guise of state unfair competition law, gave the equivalent of state patent protection, i.e., a monopoly for an unpatented article. However, this Court's opinions in the 20 years since *Sears-Compco* make abundantly clear that these cases do not stand for the proposition enunciated by the Florida Court that "either an article in the public domain is fully protected by patent or it may be copied in any manner." (Florida Supreme Court opinion, J.A. at 35). States retain the right to prohibit such forms of unfair competition as trade secret theft and industrial espionage. State enforcement of contractual restraints on the use of unpatented articles has been upheld by this Court.

Prior decisions of this Court set forth the proper method for determining whether a state statute is preempted by the federal patent laws where, as here, Congress has not expressly granted or denied authority to the states to act. The analysis first requires a comparison of the objectives of the state and federal laws to see if they are compatible. If they are compatible, the state statute will be constitutional unless it provides the equivalent of patent protection. Under this analysis the Florida statute is compatible with federal law and it does not provide the equivalent of patent protection.

Anti-direct molding laws do not "clash" with any objective of the patent laws. Like the patent laws, anti-direct molding laws encourage invention, disclosure, and

free competition but they serve entirely different purposes. The Federal Circuit clearly demonstrated in *Interpart* that these anti-direct molding statutes, unlike the patent laws, give no monopoly right to exclude others from making, using, or selling an unpatented article. They merely bar only *one* method of copying, *while permitting all other lawful methods of copying. The article itself remains in the public domain, thereby available to all to make, use or sell.*

ARGUMENT

I. The Florida Court Misread This Court's Decisions Following *Sears-Compco* and Unnecessarily Found Its Own State Statute Unconstitutional

The Florida Supreme Court in this case, over a dissent, held unconstitutional a *state* statute on ground that it is preempted by *federal* patent law. If allowed to stand, the Florida Supreme Court's decision would negate the statutes of Florida and eleven other states that prohibit one particularly threatening form of unfair competition – the direct molding method.[5] Using this predatory

[5] Besides Florida, the following states have passed these substantially similar anti-direct molding statutes: California, Cal. Bus. & Prof. Code § 17300 (West Supp. 1985); Indiana, Ind. Code Ann. § 24-4-8 (Burns 1987 Cum. Supp.); Kansas, Kan. Stat. Ann. § 50-802 (1987 Cum. Supp.); Louisiana, La. Rev. Stat. Ann. § 51:462.1 (West 1988 Cum. Supp.); Maryland, Md. Code Ann. § 11-1001 (1987 Cum. Supp.); Michigan, Mich. Comp. Laws Ann. § 445.621 *et seq.* (1988 Cum. Supp.); Mississippi, Miss. Code Ann. § 59-21-41 (1987 Cum. Supp.); Missouri, Mo.

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method, an unscrupulous manufacturer can, by molding fiberglass around a competitive product, make an exact duplicate of another's creative efforts and then manufacture copies at a fraction of the original cost. In effect the copier misappropriates the original manufacturers developmental effort and investment. The copier reaps where he has not sown.

In striking down Florida's anti-direct molding statute, the Florida Supreme Court made no attempt to analyze whether the purposes of the Florida law were compatible with the objectives of the patent law, as mandated by this Court. It made no attempt to analyze whether the type of protection afforded by the legislation was equivalent to that granted by the patent laws, as this Court has directed be done in evaluating an assertion of federal preemption based on the patent laws. *Kewanee Oil Co. v. Bicron Corp.*, 416 U.S. 470 (1974) (hereinafter "*Kewanee*"). Rather, the Florida Court brushed aside state unfair competition law as applied to unpatented articles by saying "[e]ither an article in the public domain is fully protected by patent or it may be copied in any manner." (Florida Supreme Court opinion, J.A. at 35). This strained reading of the limits of state authority rested on the premise that "[t]he United States Supreme Court has never ruled that the states may selectively enact barriers

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Ann. Stat. § 306.900 (Vernon 1988 Cum. Supp.); North Carolina, N.C. Gen. Stat. § 75A-27, *et seq.* (1983); Tennessee, Tenn. Code Ann. § 47-50-111 (1984), and Wisconsin, Wis. Stat. Ann. § 134.34 (West 1987 Cum. Supp.) These statutes are set forth in an Appendix to this brief.

against some methods of copying unpatented articles." (Florida Supreme Court opinion, J.A. at 35). However, the Florida Supreme Court failed to apply the other relevant decisions of this Court in reaching its decision.

Most strikingly, the Florida Supreme Court acknowledged that its interpretation of *federal* patent law was squarely at odds with the Federal Circuit's determination in *Interpart*, but dismissed *Interpart* as "a misapplication of the *Sears/Compco* doctrine." (Florida Supreme Court opinion, J.A. at 35). Far from being a "misapplication," *Interpart* sets forth the correct analysis for determining the constitutional validity of an anti-direct molding statute as articulated by this Court in its post-*Sears-Compco* cases. In *Interpart*, the Court of Appeals for the Federal Circuit found that California's anti-direct molding statute – one that is nearly identical to the Florida Statute – was not in conflict with and, thus, not preempted by the federal patent law.[6]

In *Interpart*, the Federal Circuit held that "[t]he California law does not 'clash' with the federal patent law; the two laws have different objectives." 777 F.2d at 685. The Federal Circuit noted that, "[i]t is clear from the face of the statute that it does not give the creator of the product the right to exclude others from making, using,

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[6] California's statute made it:

> unlawful for any person to duplicate for the purpose of sale any manufactured item made by another without the permission of that other person using the direct molding process. . . .
>
> Cal. Bus. & Prof. Code § 17300A (West Supp. 1985).

or selling the product as does the patent law." *Id.* at 684-85. Instead, the Federal Circuit found that:

> The statute prevents unscrupulous competitors from obtaining a product and using it as the "plug" for making a mold. *The statute does not prohibit copying the design of the product in any other way; the latter, if in the public domain, is free for anyone to make, use, or sell. Id.* at 685. (Emphasis added)

The opinion of the Federal Circuit is the same as that of twelve state legislatures: one who copies unpatented articles by the direct molding method commits unfair competition. Using the direct molding method as a short-cut, a party can, with minimal effort, piggyback on the product of another's investment of time and money and undermine the original manufacturer in the marketplace. States may prohibit such predatory trade practices so long as other means of copying are legally available, such as reverse engineering.

The holding in *Interpart* by the Federal Circuit is entitled to great weight. That court has exclusive federal appellate jurisdiction in cases arising under the patent laws. 28 U.S.C. § 1295. It therefore speaks with particular authority on the reach of the patent laws.[7]

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[7] Federal District Court decisions have been in accord with *Interpart*. In *Metro Kane Imports, Ltd. v. Rowoco, Inc.*, 618 F. Supp. 273, 277 (S.D.N.Y. 1985), the court accepted as *res judicata* a decision by the Superior Court of California enjoining the manufacture of a juicer made from a direct mold of a competitor's in violation of California's anti-direct molding statute. The court in *Metro Kane* found the evidence established independent violations of Tennessee's and Michigan's anti-direct

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The Florida Statute and the other eleven state statutes serve valid state purposes which are not in conflict with the patent laws, and indeed support and supplement the objectives of the federal patent laws. At the same time, they do not confer patent rights, do not exclude products from any market, do not create legal monopolies, and are readily distinguishable from the totally restrictive state statutes found wanting in *Sears-Compco*.

II. Protection Against Unfair Competition Is Traditionally Within States' Rights

This Court has repeatedly affirmed the states' traditional rights to legislate against unfair competition. The broad range of state authority has been recognized by this Court in *Kewanee*, 416 U.S. 470, 479 (1974):

> States may hold diverse viewpoints in protecting intellectual property relating to invention as they do in protecting the intellectual property relating to the subject matter of copyright. The only limitation on the States is that in regulating the area of patents and copyrights they do not conflict with the operation of the laws in this area passed by Congress. . . .

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molding laws. Similarly, in *Brahma, Inc. v. Joe Yeargain, Inc.*, 665 F. Supp. 1447 (N.D. Cal. 1987), a case involving molded camper shells for pick-up trucks, the court implicitly accepted the constitutionality of California's anti-direct molding statute in finding that a prima facie violation of that statute had been established.

In *Aronson v. Quick Point Pencil Co.*, 440 U.S. 257, 262 (1979) (hereinafter "*Aronson*"), this Court reaffirmed the exercise of states' rights in this area:

> State law is not displaced merely because the contract relates to intellectual property which may or may not be patentable; *the states are free to regulate the use of such intellectual property in any manner not inconsistent with federal law.* (Emphasis added).

Kewanee and *Aronson* establish that it is within states' rights to prohibit unfair competition, particularly in the areas of intellectual property, provided such legislation is not in conflict with the operation or objectives of the patent laws.[8]

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[8] This Court has long held that even patented articles are subject to a state's exercise of its internal police and commerce powers. *Patterson v. Kentucky*, 97 U.S. 501, 503 (1879) ("It is true that letters-patent, pursuing the words of the statute, do, in terms, grant to the inventor, his heirs and assigns, the exclusive right to make, use, and vend to others his invention or discovery, throughout the United States and the Territories thereof. But, obviously, this right is not granted or secured without reference to the general powers which the several States of the Union unquestionably possess over their purely domestic affairs, whether of internal commerce or of police."); *Webber v. Virginia*, 103 U.S. 344, 347-48 (1881) ("Congress never intended that the patent laws should displace the police powers of the States, meaning by that term those powers by which the health, good order, peace and general welfare of the community are promoted.")

III. This Court Has Upheld As Constitutional Many State Statutes Against Unfair Competition

The Florida Court ignored cases where this Court has upheld state laws regulating competition affecting unpatented articles against claims of preemption under the patent laws.

In *Kewanee*, this Court upheld a state trade secret law. In doing so, this Court recognized that a trade secret law would protect items which would not be patentable. 416 U.S. at 482. In considering whether the trade secret law was preempted by the patent laws, this Court compared the objectives of both laws. It concluded that abolishing trade secret laws would not further the objectives of patent law as "[n]othing in the patent law requires that States refrain from action to prevent industrial espionage." *Id.* at 487. This Court recognized that the states retain authority under the Constitution to encourage the creation of unpatented articles:

> Trade secret law will encourage invention in areas where patent law does not reach, and will prompt the independent innovator to proceed with the discovery and exploitation of his invention. Competition is fostered and the public is not deprived of the use of valuable, if not quite patentable, invention. *Id.* at 485. (Footnote omitted)[9]

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[9] Federal courts have long recognized the legitimacy of state protections conferred upon unpatentable items. In *A. O. Smith Corp. v. Petroleum Iron Works Co.*, 73 F.2d 531, 539 (6th Cir. 1934) *modified on other grounds*, 74 F.2d 934 (6th Cir. 1935), the court emphasized that, even though a discovery may not be patentable, that does not:

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While consistent with the objectives of the patent laws, trade secret laws do not confer the practical equivalent of patent rights, i.e., exclusion from the marketplace of independently developed products by means of a federally granted monopoly. *Exclusion from the market is the essential prerequisite to a valid patent preemption claim.* As this Court noted in *Kewanee*:

> Trade secret law provides far weaker protection in many respects than the patent law. While trade secret law does not forbid the discovery of the trade secret by fair and honest means, *e.g.*, independent creation or reverse engineering, patent law operates "against the world," forbidding any use of the invention for whatever purpose for a significant length of time. The holder of a trade secret also takes a substantial risk that the secret will be passed on to his competitors, by theft or by breach of a confidential relationship, in a manner not easily susceptible of discovery or proof. . . . Where patent law acts as a barrier, trade secret law functions relatively as a sieve. 416 U.S. at 489-90 (Footnote omitted)

The Florida anti-direct molding statute lacks the required element of exclusion.

Similarly, in *Aronson*, this Court enforced a royalty contract under state law for a product that later proved to be unpatentable. This Court noted that the policy underlying the state law was not inconsistent with the objectives of the patent laws:

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> [D]estroy the value of the discovery to one who makes it, or advantage the competitor who by unfair means, or as the beneficiary of a broken faith, obtains the desired knowledge without himself paying the price in labor, money, or machines expended by the discoverer.

> Enforcement of Quick Point's agreement with Mrs. Aronson is not inconsistent with any of [the objectives of the patent laws]. Permitting inventors to make enforceable agreements licensing the use of their inventions in return for royalties provides an additional incentive to invention. Similarly, encouraging Mrs. Aronson to make arrangements for the manufacture of her keyholder furthers the federal policy of disclosure of inventions; these simple devices display the novel idea which they embody wherever they are seen. 440 U.S. at 262-263.

Finally, *Goldstein v. California*, 412 U.S. 546 (1973) (hereinafter *"Goldstein"*), although decided under the copyright laws, is instructive in determining the interplay of the Constitution and traditional state's rights in regulating unfair competition. *Goldstein* upheld the constitutionality of California's record and tape piracy law against a claim of preemption.[10]

By adopting an overbroad reading of *Sears-Compco*, the Florida Supreme Court ignored the wide range of acceptable state action recognized by decisions of this Court following *Sears-Compco*.

IV. State Law Is Only Preempted When It "Clashes" With Federal Patent Law

In the absence of a clear Congressional grant or denial of state authority, it is only in the narrow instance when state law "stands as an obstacle to the accomplishment and execution of the full purposes and objectives of Congress" that state law will be found to be preempted.

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[10] Under the former 1909 Copyright Act, protection did not extend to recordings.

Hines v. Davidowitz, 312 U.S. 52, 67 (1941); *Capital Cities Cable, Inc. v. Crisp*, 467 U.S. 691, 699 (1984). A state unfair competition statute will withstand scrutiny under Art. I, § 8, cl. 8, of the United States Constitution so long as it does not "clash" with the objectives of the federal patent laws. There is a presumption that "Congress did not intend to displace State law." *Maryland v. Louisiana*, 451 U.S. 725, 746 (1981).

Kewanee sets forth the proper method of analyzing whether a state statute is preempted by the federal patent laws where, as here, there is no clear Congressional directive. The analysis requires a comparison of the objectives of the state statute with the objectives of the patent laws to see if they are compatible. If they are, the state statute will pass constitutional muster so long as it affords protections not inconsistent with those granted by the patent laws.

A. Anti-Direct Molding Statutes Do Not "Clash" With the Objectives of Federal Patent Statutes

States retain the authority under the Constitution to enact statutes that do not "clash" with but further the objectives of the patent laws.[11] The purposes of the patent laws were noted in *Aronson*, 440 U.S. at 262:

> First, patent law seeks to foster and reward invention; second, it promotes disclosure of inventions to

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[11] *Morseburg v. Balyon*, 621 F.2d 972, 978 (9th Cir.), *cert. denied*, 449 U.S. 983 (1980) ("The crucial inquiry is not whether state law reaches matters also subject to federal regulation, but whether the two laws function harmoniously rather than discordantly.")

stimulate further innovation and to permit the public to practice the invention once the patent expires; third, the stringent requirements for patent protection seek to assure that ideas in the public domain remain there for the free use of the public.

None of these objectives is in conflict with statutes prohibiting the direct molding method. *Nothing* in the patent laws states that unpatented articles must be free to be copied *in any manner whatsoever*, however unfair or predatory. If the patent laws stood for such a principle, state trade secret laws and state prohibitions against other forms of industrial espionage would also be preempted.

Nor do anti-direct molding laws discourage anyone from seeking patent protection for articles that qualify for such rights. Patent protection remains the sole means by which a manufacturer can exclude others from making, using, or selling an article.

While no purpose of the patent law is offended by anti-direct molding statutes, the main purposes of the patent law – fostering invention, fostering competition, and providing public disclosure – are furthered by such statutes. By assuring that a manufacturer will be able to prevent direct molding duplication, the manufacturer will be more willing to make the necessary investment in research and development. As a result, an environment for producing new inventions is created, more competitive designs will be produced, and these more competitive designs will be disclosed to the public. On the other hand – if a competitor is free to make direct molding duplicates – invention, competition, and public disclosure will be inhibited or suppressed.

As this Court noted in *Kewanee*, "[c]ertainly the patent policy of encouraging invention is not disturbed by the existence of another form of incentive to invention." 416 U.S. at 484. By encouraging invention in a manner which withdraws nothing from the public domain, anti-direct molding laws are in perfect harmony with the commitment of the patent laws to "promote invention while at the same time preserving free competition." *Sears*, 376 U.S. at 230-231. Free competition does not require that competitors have carte blanche to engage in any form of commercial activity. Thus, *Kewanee* recognized that trade secret laws ultimately fostered competition by encouraging "the independent innovator to proceed with the discovery and exploitation of his invention." 416 U.S. at 485. Similarly, *Aronson* recognized that competition in unpatented articles is promoted by state enforcement of contractual restraints on the use of such articles even after they enter the public domain. Just as competition is furthered by discouraging the theft of trade secrets and by enforcement of freely negotiated contracts, so it is encouraged by laws barring injurious shortcuts for appropriating a competitor's products through, for example, the direct molding method.

Thus, the objectives of the anti-direct molding statutes do not clash with the objectives of the patent law. Indeed, the objectives of the two statutes are completely compatible.

B. Anti-Direct Molding Statutes Do Not Confer the Practical Equivalent of Patent Protection

While consistent with the purposes of the patent laws, the direct molding statutes do not provide the

makers of unpatented articles with the practical equivalent of patent protection. The essence of patent protection is the "*right to exclude* others from making, using, or selling the invention throughout the United States. . . ." 35 U.S.C. § 154 (emphasis added).[12]

Anti-direct molding statutes do not give the original manufacturer any right whatsoever to exclude others from making, using, or selling an unpatented and copied product, as do the patent laws. They do not create monopolies or bar competitors from independent invention or from marketing identical copies, as do the patent laws. Anti-direct molding laws do not determine what product a competitor can make, but only the method by which he makes it.

Anti-direct molding statutes merely bar one unfair method of copying, while leaving many other legitimate and practical means of copying readily available to the

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[12] *See also Zenith Radio Corp. v. Hazeltine Research, Inc.*, 395 U.S. 100, 135 (1969) ("A patentee has the exclusive right to manufacture, use, and sell his invention. . . . The heart of his legal monopoly is the right to invoke the State's power to prevent others from utilizing his discovery without his consent."); *Patlex Corp. v. Mossinghoff*, 758 F.2d 594, 599 (Fed. Cir. 1985), *modified on other grounds*, 771 F.2d 480 (Fed. Cir. 1985) ("The basic right concomitant to the grant of a patent is the right of exclusivity founded in the Constitution."); *Smith International, Inc. v. Hughes Tool Co.*, 718 F.2d 1573, 1577 (Fed. Cir.), *cert. denied*, 464 U.S. 996 (1983). Patent protection extends "not only to copying the subject matter, which is forbidden under the Copyright Act. 17 U.S.C. § 1 *et seq.*, but also to independent creation." *Kewanee*, 416 U.S. at 478.

public. These include reverse engineering – reconstructing the design process using precise measurements – or working from technical drawings, photographs, or computer models to replicate a product. The Federal Circuit grounded its decision on this very important distinction in upholding the constitutionality of California's anti-direct molding statute in *Interpart*, 777 F.2d at 685:

> The statute *does not preclude* one from photographing, measuring, or in any way utilizing the concept of the design of the product. It *does not preclude* copying the product by hand, by using sophisticated machinery, or by any method other than the direct molding process. (Emphasis added).

That others may still obtain and copy a product through lawful means was an important factor noted by this Court in *Kewanee* in finding that Ohio's trade secret law was not preempted by the patent laws:

> A trade secret law, however, does not offer protection against discovery by fair and honest means, such as by independent invention, accidental disclosure, or by so-called reverse engineering, that is by starting with the known product and working backward to divine the process which aided in its development or manufacture. 416 U.S. at 476 (footnote omitted).

Similarly, this Court in *Goldstein*, a copyright case, in explaining why California's record and tape piracy statute was not barred by the principles of *Sears-Compco*, noted that the statute, while prohibiting one *method* of copying, did not prohibit other methods of copying:

> No restraint has been placed on the use of an idea or concept; rather, petitioners and other individuals remain free to record the same compositions in precisely the same manner and with the same personnel as appeared on the original recording. 412 U.S. at 571.

The patent laws do not require that the states permit unpatented articles to be copied by *all* possible methods, but *only that such articles remain in the public domain and that copying of such articles be feasible.* As the court stated in *Mine Safety Appliances Co. v. Electric Storage Battery Co.*, 405 F.2d 901, 902 n.2 (C.C.P.A. 1969):

> Patent laws function only to keep things *out* of the public domain temporarily. They have nothing to do with putting things *into it*. They say nothing about right to copy or right to use, they speak only in terms of right to exclude. (Emphasis changed).

A well respected treatise on the law of unfair competition concluded that:

> Patent and copyright policy do not require that copying be permitted under conditions which amount to unfair competition simply because the originator either failed to obtain, or was not entitled to, federal recognition. The Court's concern [in *Sears-Compco*] for the superiority of federal law *did not compel it to ignore state (and federal) policy against unfair competition. The two concepts are not mutually exclusive. They have coexisted quite harmoniously in the past and can continue to function in tandem in futuro.* L. Altman, *Callman on Unfair Competition, Trademarks and Monopolies*, § 15.07 at p. 33 (4th ed. 1984) (emphasis added).

Because of its certainty that an article in the public domain "may be copied in any manner," (Florida Supreme Court opinion, J.A. at 35), the Florida Court paid no attention to the fact that the protection afforded by the anti-direct molding laws is distinct from, but consistent with, that granted by the patent law. In disregarding this fact, the Florida Court did substantial violence to the longstanding principles of unfair competition law, states' rights, and the decisions of this Court.

C. Anti-Direct Molding Statutes Are Readily Distinguishable From Those Found Wanting in *Sears-Compco*

The Florida Statute is readily distinguishable from the Illinois law struck down in *Sears-Compco* which, under the guise of guarding against unfair competition, afforded the equivalent of patent protection *by prohibiting all methods of copying and thereby creating a state-approved monopoly*. It was the equivalent of a state patent law and was therefore unconstitutional. That is unquestionably not true here.

Sears held that state law may not provide a manufacturer of an unpatented product the right to exclude others from making, using or selling that product:[13]

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[13] In *Sears*, Stiffel began marketing a pole lamp. Soon after, Sears started selling a substantially identical pole lamp at a lower price. Stiffel sued Sears for patent infringement and unfair competition. The District Court found Stiffel's patent invalid but nonetheless found Sears in violation of Illinois unfair competition law merely because Sears was marketing an identical product. The Court of Appeals affirmed and held Sears liable for, in this Court's words, "doing no more than copying and marketing an unpatented article." 376 U.S. at 227 (Footnote omitted). The Court of Appeals' construction of Illinois unfair competition law, this Court held, offended the patent laws:

> [B]ecause of the federal patent laws a State may not, when the article is unpatented and uncopyrighted, prohibit the copying of the article itself or award damages for such copying. The judgment below did both and in so doing gave Stiffel the equivalent of a patent monopoly on its unpatented lamp. 376 U.S. at 232-233 (citation omitted).

An unpatentable article, like an article on which the patent has expired, is in the public domain and may be made and sold by whoever chooses to do so. What Sears did was to copy Stiffel's design and to sell lamps almost identical to those sold by Stiffel. This it had every right to do under the federal patent laws. That Stiffel originated the pole lamp and made it popular is immaterial. "Sharing in the goodwill of an article unprotected by patent or trade-mark is the exercise of a right possessed by all – and in the free exercise of which the consuming public is deeply interested." *Kellogg Co. v. National Biscuit Co. . . .*, 305 U.S., at 122. To allow a State by use of its law of unfair competition to prevent the copying of an article which represents too slight an advance to be patented would be to permit the State to block off from the public something which federal law has said belongs to the public. The result would be that while federal law grants only 14 or 17 years protection to genuine inventions, see 35 U.S.C. §§ 154, 173, States could allow perpetual protection to articles too lacking in novelty to merit any patent at all under federal constitutional standards. This would be too great an encroachment on the federal patent system to be tolerated. 376 U.S. at 231-232.

The Florida Statute does not exclude a competing product from the market and does not create a monopoly, but only prohibits one method of the product's manufacture. *The original product remains in the public domain, free for all to copy by readily available and legal means.*

The concern that state law not exclude others from copying and marketing an unpatented article was again

expressed in *Compco*, a companion case.[14] In overruling the lower courts, this Court held:

> [W]hen an article is unprotected by a patent or a copyright, state law may not forbid others to copy that article. To forbid copying would interfere with the federal policy, found in Art. 1, § 8, cl. 8, of the Constitution and in the implementing federal statutes, of allowing free access to copy whatever the federal patent and copyright laws leave in the public domain. Here Day-Brite's fixture has been held not to be entitled to a design or mechanical patent. Under the federal patent laws it is, therefore, in the public domain and can be copied in every detail by whoever pleases. 376 U.S. at 237-38.

Even though *Sears-Compco* involved state law which had the effect of creating a monopoly, the Florida Supreme Court found these cases controlling as to the constitutionality of the Florida Statute, although that statute permits anyone to copy, make, use or sell unpatented articles and only withdraws one *method of copying* from the universe of possible means of copying. The Florida Supreme Court read *Sears-Compco* as holding that "either an article in the public domain is fully protected or it may be copied *in any manner*," (Florida Supreme Court opinion, J.A. at 35) (emphasis added), regardless of the states' rights to regulate unfair competition.

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[14] Compco had copied Day-Brite's fluorescent lighting fixture. Day-Brite sued for patent infringement and unfair competition. The District Court, again applying Illinois law, found that the design patent was invalid but nonetheless found that Compco's marketing of a nearly identical lamp to Day-Brite's was enough to constitute unfair competition. The Court of Appeals affirmed.

However, nothing in *Sears-Compco* supports the expansive construction of these cases adopted by the Florida Court. The central reason the Illinois law was unconstitutional in *Sears-Compco* was that it created a monopoly, i.e. it was a vehicle for the *total exclusion* of copies of unpatented articles. *That is not true here. The Florida Supreme Court simply erred in ignoring this crucial distinction.*

Sears-Compco say only that an unpatented article may be copied "in every detail," 376 U.S. at 238. These cases did not hold that copying must be allowed *in any manner*. Justice Shaw, writing for the three dissenters in the Florida Supreme Court, noted this very important distinction:

> *Sears* and *Compco* each involved state unfair competition laws prohibiting the sale of identical copies of unpatented items. The state laws had the effect of removing the unpatented items from the public domain, thus conflicting with federal patent policy. In contrast, section 559.94, Florida Statutes (1983), does not prohibit the copying of an unpatented item. It prohibits *one method* of copying; *the item remains in the public domain*. (Florida Supreme Court opinion, J.A. at 37) (emphasis added).

While the Florida Supreme Court would apparently do away with unfair competition laws that apply to unpatented articles, *Sears-Compco* recognized that states could legislate against certain forms of unfair competition in the manufacture of unpatented articles:

> Doubtless a State may, in appropriate circumstances, require that goods, whether patented or unpatented, be labeled or that other precautionary steps be taken to prevent customers from being misled as to the source . . . . *Sears*, 376 U.S. at 232.

Justice Harlan, in a concurring opinion in both *Sears* and *Compco*, noted that those cases should not be read as curbing states' rights to regulate unfair or predatory trade practices. He foresaw cases such as *Kewanee, Aronson, Goldstein* and the instant case:

> If copying is found, other than by an inference arising from the mere act of copying, to have been undertaken with the dominant purpose and effect of palming off one's goods as those of another or of confusing customers as to the source of such goods, I see no reason why the State may not impose reasonable restrictions on the future "copying" itself. *Vindication of the paramount federal interest at stake does not require a State to tolerate such specifically oriented predatory business practices.* 376 U.S. at 239 (Emphasis added).

Justice Harlan's reasoning is equally valid as applied to the case at bar.

Through their anti-direct molding statutes, Florida and eleven other states have prohibited a form of unfair competition that discourages the creation and public disclosure of innovative, yet unpatentable, ideas and products. Their efforts are aimed merely at one predatory business practice. These statutes do not *exclude* the copying of unpatented articles. They leave anyone free to make, use, or sell their products through any of the many other legal means of copying. The Federal Circuit recognized that anti-direct molding laws are well within the traditional realm of states' rights articulated by this Court most recently in *Kewanee, Aronson,* and *Goldstein*.

A leading treatise on the law of unfair competition, while *criticizing the very decision by the Florida Supreme Court now before this Court for review*, argues that these

direct molding statutes should be treated like trade secret laws and not be preempted:

> The important difference between the federal patent laws and the state molding statutes, which was missed by both of the Florida court's opinions, but not by the Federal Circuit, is that the patent laws prevent competition in the patented invention altogether; whereas the molding statutes do not prevent anyone from competing in the manufacture and sale of any product, provided they go to the trouble and expense of creating their own tooling. In this respect the molding statutes are like the trade secret laws, which are not preempted . . . , because neither the molding statutes nor the trade secret laws dictate *what product* a competitor can make, but only *how* he can go about making it. L. Altman, *Callman on Unfair Competition, Trademarks and Monopolies*, § 15.10.50 at Cum. Supp. p. 137 (4th Ed. 1984) (emphasis in original).

Modern technology has made the direct molding process possible, and modern legislatures are prohibiting its unscrupulous use as unfair competition.

In its post-*Sears-Compco* decisions in *Kewanee*, *Aronson*, and *Goldstein*, this Court has sustained the states' right to legislate against unfair competition and concluded that the federal patent laws do not preempt such legislation. For the reasons articulated in these decisions, this Court should likewise conclude that the Florida state statute (a) is within that state's right to regulate unlawful conduct, (b) is not preempted by the federal patent laws, and (c) is clearly valid under Article 1, Section 8, clause 8 of the United States Constitution.

CONCLUSION

The decision of the Florida Supreme Court should be reversed and remanded for further proceedings.

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APPENDIX

1. *California Business & Professions Code* § 17300 (West Supp. 1985).

Unlawful acts; duplication for sale; sale

(a) It shall be unlawful for any person to duplicate for the purpose of sale any manufactured item made by another without the permission of that other person using the direct molding process described in subdivision (c).

(b) It shall be unlawful for any person to sell an item duplicated in violation of subdivision (a).

(c) The direct molding processes subject to this section is any direct molding process in which the original manufactured item was itself used as a plug for the making of the mold which is used to manufacture the duplicate item.

(d) This section applies only to items duplicated using a mold made on or after January 1, 1979.

2. *Indiana Code Annotated § 24-4-8* (Burns 1987 Cum. Supp.)

Unauthorized Copying of Molded Watercraft

24-4-8-1. *"Direct molding process" defined.* - As used in this chapter, "direct molding process" means any process by which a manufactured watercraft or its component part is used as a plug for the making of a mold from which a duplicate of the watercraft or component is made.

24-4-8-2. *"Mold" defined.* - As used in this chapter, "mold" means any pattern, hollow form, matrix, or other

device for giving shape or form to material in a plastic or molten state.

24-4-8-3. *"Plug" defined.* - As used in this chapter, "plug" means a manufactured item used to make a mold.

24-4-8-4. *"Watercraft" defined.* - As used in this chapter, "watercraft" means any instrumentality or device in or by means of which a person may be transported upon waters and includes a motorboat, sailboat, rowboat, skiff, dinghy, or canoe of whatever length or size.

24-4-8-5. *Manufacture and sale prohibited.* - (a) A person may not manufacture, by use of a direct molding process, a watercraft or its component part manufactured by another person without permission of that other person.

(b) A person may not sell a watercraft or its component part manufactured in violation of subsection (a).

24-4-8-6. *Civil remedy.* - (a) A person injured by a violation of section 5 [24-4-8-5] of this chapter may bring a civil action for:

(1) Injunctive relief;
(2) Actual damages caused by the violation;
(3) Treble damages; and
(4) Costs and reasonable attorney's fees.

(b) Injunctive relief may be granted for a violation of section 5 of this chapter regardless of the failure of the plaintiff to show irreparable injury.

24-4-8-7. *Applicability of chapter.* - This chapter applies to products duplicated using a mold after August 31, 1987.

3. *Kansas Statutes Annotated* § *50-802* (1987 Cum. Supp.)

50-802. *Boat manufacture by direct molding processes; prohibition; injunction; actual damages, attorney fees and costs.* (a) No person shall:

(1) Manufacture for sale any boat produced by use of a direct molding process, unless the person has first obtained the permission of the manufacturer of the original boat used as the pattern for the mold;

(2) knowingly sell any boat manufactured in violation of subsection (a)(l); or

(3) purchase any boat with intent to manufacture a reproduction of that boat in violation of subsection (a)(l).

(b) A person injured by a violation of subsection (a) may bring a civil action for injunctive relief, actual damages caused by the violation, reasonable attorney fees and costs of the action.

(c) As used in this section, "direct molding process" means any manufacturing process in which an original boat is used as a pattern for making a mold for use in manufacturing reproductions of that boat.

(d) This section shall not apply to any boat which is manufactured using a mold made before July 1, 1984.

4. *Louisiana Revised Statutes Annotated* § *51:462.1* (West 1988 Cum. Supp.)

§ 462.1. *Duplication and sale of items manufactured by direct molding process prohibited*

A. No person shall use the direct molding process to duplicate for the purpose of sale any manufactured vessel hull or component part of a vessel hull made by

another without the written permission of that other person.

B. No person shall knowingly sell a vessel hull or component part of a vessel hull duplicated in violation of Subsection A of this Section.

C. The provisions of this Section shall apply only to vessel hulls or component parts of vessel hulls duplicated using a mold made on or after the effective date of this Subpart.

5. *Maryland Code Annotated § 11-1001* (1987 Cum. Supp) § 11-1001. *Duplicating vessel hulls.*

(a) Definitions. - (1) In this section the following words have the meanings indicated.

(2) "Direct molding process" means any process by which a hull of a vessel or component of the hull of a vessel is used as a plug for the making of a mold from which a duplication of the hull or component of the hull is made.

(3) "Mold" means any pattern, hollow form, matrix, or other device for giving shape or form to material in a plastic or molten state.

(4) "Plug" means a manufactured item used to make a mold.

(5) (i) "Vessel" means every description of watercraft that is used or capable of being used as a means of transportation on water or ice.

(ii) "Vessel" includes:

1. An iceboat; and

2. The motor, spars, sails, and accessories of a vessel.

(iii) "Vessel" does not include a seaplane.

(b) Prohibited. - A person may not duplicate or misappropriate for commercial purposes by copying or using the direct molding process the design of a hull of a vessel or any component of the hull of a vessel manufactured by another person without the prior written consent of the other person.

(c) Selling vessels manufactured in violation of subsection (b). - If a person knew or should have known that a hull of a vessel or any component of the hull of a vessel was duplicated or misappropriated for commercial purposes in violation of subsection (b) of this section, the person may not sell in this State the vessel that was manufactured in violation of subsection (b) of this section.

(d) Persons injured by virtue of violation of subsection (b) or (c). - Any person who is injured in the person's business by virtue of any violation of subsection (b) or subsection (c) of this section:

(1) May sue and recover three times the amount of damages incurred by virtue of the violation, the costs of the suit, and reasonable attorney's fees; and

(2) May sue for injunctive relief and a court of competent jurisdiction may grant the injunctive relief regardless of whether the person proves irreparable injury because of the violation.

6. *Michigan Compiled Laws Annotated § 445.621 et seq.* (West 1988 Cum. Supp.)

Copies By Direct Molding Process

445.621. *Direct molding process*

Sec. 1. As used in this act, "direct molding process" means any manufacturing process in which an original product is used as a pattern for making a mold which mold is used to manufacture copies of that product.

445.622. *Manufacture or sale of products manufactured by another person*

Sec. 2. (1) A person shall not manufacture for the purpose of sale, by use of a direct molding process, a product manufactured by another person without the permission of that other person.

(2) A person shall not sell a product manufactured in violation of subsection (1).

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445.623. *Injunction; attorney's fees; costs*

Sec. 3. A person injured by a violation of this act may bring a civil action for injunctive relief. In addition, an injured person is entitled to actual damages caused by the violation, reasonable attorney's fees, and costs.

445.624. *Application of act*

Sec. 4. This act shall not apply to a product which is manufactured using a mold made before January 1, 1983.

7. *Mississippi Code Annotated* § 59-21-41 (1987 Cum. Supp.)

§ 59-21-41. *Duplication of boat hulls and parts by direct molding process.*

(1) As used in this section:

(a) "Direct molding process" means any process in which the original manufactured boat hull or component part of a boat is itself used as a plug for the making of the mold, which is then used to manufacture a duplicate item.

(b) "Mold" means a matrix or form in which a substance or material is shaped.

(c) "Plug" means a device or model used to make a mold for the purpose of exact duplication.

(2) It is unlawful for any person to use the direct molding process to duplicate for the purpose of sale any manufactured boat hull or component part of a boat made by another without the written permission of that other person.

(3) The provisions of this section shall apply only to boat hulls or component parts of boats duplicated using a mold made on or after the effective date of this section.

(4) Any person who suffers injury or damage as the result of a violation of the provisions of this section may bring an action in the chancery court for an injunction prohibiting such violations. In addition, such person shall be entitled to actual damages incurred as a result of such violation, reasonable attorney's fees, and costs.

8. *Missouri Annotated Statutes* § 306.900 (Vernon 1988 Cum. Supp.)

306.900. *Direct molding process - use of to duplicate hulls prohibited, when - damages and injunctive relief when*

1. As used in this section, the following terms mean:

(1) *"Direct molding process"*, any direct molding process in which the original manufactured vessel hull or component part of a vessel is itself used as a plug for the making of the mold, which is then used to manufacture a duplicate item;

(2) *"Mold"*, a matrix or form in which a substance or material is shaped;

(3) *"Person"*, any individual, partnership, corporation, firm or association;

(4) *"Plug"*, a device or model used to make a mold for the purpose of exact duplication.

2. (1) No person shall use the direct molding process to duplicate for the purpose of sale any manufactured vessel hull or component part of a vessel made by another person without the written permission of that other person.

(2) No person shall knowingly sell a vessel hull or component part of a vessel duplicated in violation of subdivision (1) of this subsection.

3. (1) Any person injured in his business by virtue of any violation of subsection 2 may sue and shall recover threefold the damages incurred by virtue of such violation and the costs of suit and reasonable attorney's fees.

(2) Any person injured in his business by virtue of any violation of subsection 2 may sue for injunctive relief and injunctive relief may be granted regardless of the failure of the plaintiff to show irreparable injury.

9. *North Carolina General Statutes Annotated § 75A-27 et seq.* (1985)

Boat Hull Anti-Copying Act

§ 75A-27. *Short title.*

This Article shall be known as the Boat Hull Anti-Copying Act.

* * *

§ 75A-28. *Definitions.*

As used in this Article, unless the context requires a different meaning:

(1) "Direct molding process" means any process by which a boat hull or component is used as a plug for the making of a mold from which a duplicate of the boat hull or component is made.

(2) "Mold" means any pattern, hollow form, matrix or other device for giving shape or form to material in a plastic or molten state for the making of a boat hull or component.

(3) "Plug" means a boat hull or component used to make a mold.

§ 75A-29. *Unfair competition.*

It is an act of unfair competition as defined in G.S. 75-1.1(a), if within 10 years of the first production of a boat hull or component, to misappropriate the design of a boat hull or component for commercial purposes in making a boat hull or component by copying by use of the direct molding process without the owner's prior written consent.

§ 75A-30. *Prohibited activities.*

The following are prohibited:

(1) Any activities violating G.S. 75A-29.

(2) Sale in this State of a boat hull that was made with knowledge that the boat was produced in violation of that section.

§ 75A-31. *Remedies.*

(a) Any person injured in his business by virtue of any violation of G.S. 75A-30 may sue and may recover the actual damages suffered by virtue of the violation, the costs of suit, and reasonable attorney's fees.

(b) Any person injured in his business by virtue of any violation of G.S. 75A-30 may sue for injunctive relief and injunctive relief may be granted regardless of the failure of the plaintiff to show irreparable injury.

10. *Tennessee Code Annotated § 47-50-111* (1984)

47-50-111. *Direct molding - Unlawful duplication of goods.* - (a) It shall be unlawful for any person to duplicate for the purpose of sale any manufactured item made by another without the permission of that other person using the direct molding process described in subsection (c).

(b) It shall be unlawful for any person to sell an item duplicated in violation of subsection (a).

(c) The direct molding processes subject to this section is any direct molding process in which the original manufactured item was itself used as a plug for the making of the mold which is used to manufacture the duplicate item.

(d) Any person injured by a violation of the provisions of this section may bring an action in a court of competent jurisdiction for an injunction prohibiting such violations. In addition, the injured person shall be entitled to actual damages incurred as a result of such violations, reasonable attorney's fees, and costs.

(e) The provisions of this section shall apply only to items duplicated using a mold made on or after July 1, 1983.

11. *Wisconsin Statutes Annotated § 134.34* (West 1987 Cum. Supp.)

134.34. *Duplication of vessel hulls and parts*

(1) In this section:

(a) "Direct molding process" means any direct molding process in which the original manufactured vessel hull or component part of a vessel is itself used as a plug for the making of the mold, which is then used to manufacture a duplicate item.

(b) "Mold" means a matrix or form in which a substance or material is shaped.

(c) "Plug" means a device or model used to make a mold for the purpose of exact duplication.

(2) No person may use the direct molding process to duplicate for the purpose of a sale a manufactured vessel hull or component part of a vessel made by another person without the written permission of that other person.

(3) No person may knowingly sell a vessel hull or component part of a vessel duplicated in violation of sub. (2).

(4) This section applies only to vessel hulls or component parts of vessels duplicated using a mold made after June 30, 1983.

(5) A person who suffers injury or damage as the result of a violation of this section may bring an action in circuit court for an injunction prohibiting the violation. In addition, the person shall be entitled to actual damages incurred as a result of the violation, reasonable attorney fees and costs, notwithstanding s. 814.04(1).